

# Memorandum

To: Panel Members Date: March 27, 2003

From: Diana Torres, Manager  
Peter DeMauro, General Counsel Analyst: R. Negrete

Subject: One-Step Agreement for **California Chassis, Inc. <100**  
www.calchassis.com

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace  
Promotion of California's Manufacturing Workforce  
Stimulating Exports/Imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 92
  - In California: 92
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union  
representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$53,360
- Substantial Contribution: \$0
- Total ETP Funding: \$53,360
- In-Kind Contribution: \$63,844
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 Months

**SUBCONTRACTORS:**

Leadership Consulting Associates of Lake Forest, California - \$6,960 to provide all project administration services.

Leadership Consulting Associates of Lake Forest, California - \$46,400 to provide all Continuous Improvement, Manufacturing Skills, and Management Skills Class/Lab training.

**THIRD PARTY SERVICES:**

The Applicant states that Leadership Consulting Associates provided assistance in conducting the training needs assessment, development of the training plan, Curriculum and other Application requirements, at no cost to the applicant.

**ACTIVE PROJECTS:**

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET02-0295	4/8/02 – 4/7/04	\$68,800	30	31	18	-0-*

\*Applicant staff state that the 27 retrainees in the current Agreement will complete the 90-day employment retention period by June 28, 2003. These retrainees will be provided additional necessary training in the proposed second Agreement commencing on July 1, 2003.

**NARRATIVE:**

As a manufacturer of sheet metal fabricated products including sheet metal rack systems, California Chassis, Inc. (CCI), is eligible for funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b), companies classified as manufacturers retraining current employees.

CCI's corporate headquarters and manufacturing facility are located in Anaheim, California. Primary customers include American Telephone & Telegraph, Motorola, Interlott, MCSI, Inc. and Raytheon. CCI's sheet metal products are primarily for the domestic market but two percent of its shipments are to Japan and Europe.

**NARRATIVE:** (continued)

According to CCI, the sheet metal fabricated products industry continues to undergo price pressures with a growing customer shift toward lower-priced products. CCI's competitors underbid its sheet metal products because of lower labor costs and improved production methods. In addition, CCI must provide its employees with the skills to enable them to respond to customer quality demands. CCI's competitive position in the sheet metal fabricated products industry will be enhanced with a well-trained workforce. CCI must continue to adapt to a high-performance workplace to improve worker skills and to improve the productivity and efficiency of its manufacturing operations.

In late 2001, CCI developed a Strategic Training Plan for Calendar Years 2002–2005, that included a long range training plan to enable the company to adapt to a high performance workplace. CCI senior management determined that because of the company's small size and pressing production requirements, it could only allow 20 percent of company employees to be released for training at one time. CCI training staff, with the assistance of an outside consultant, developed a 3-year training plan to achieve its corporate goal of adapting to a high performance workplace. Because of the incremental training plan, CCI decided to request ETP funding in a series of ETP Agreements over 4 years.

Current Agreement– ET02-0295

CCI's first and current ETP Agreement began CCI's adaptation to a high performance workplace. Under this Agreement, training commenced in April 2002 to train 30 management, sales, engineering, and a few production employees. The training consists of Total Quality Management, Communication Skills and Management Skills. Now that training is almost complete, CCI evaluated training results and finds: training has resulted in reduced costs, improved productivity and on-time shipping, with reduced rework and scrap. Because of these outcomes, CCI decided to request ETP funding for the next stage of implementing their long range strategic plan. Therefore, it now proposes to expand its adaptation to a high performance workplace to the production floor in a second ETP Agreement.

Second ETP Agreement

Under the proposed Agreement, CCI proposes to train 57 retrainees, 27 of which participated in the current Agreement. These 27 trainees will be provided additional training in problem solving, process improvement and leadership skills. The remaining 30 employees comprise the additional production floor employees that need to be included in the company's shift to a high performance workplace. The proposed retrainees will receive Manufacturing Skills training (Blueprint Reading) and Continuous Improvement training. This training will be provided from May 2003 through February 2004.

**NARRATIVE:** (continued)

**Manufacturing Skills** training for production employees and supervisors will provide Blueprint Reading skills including format and details of Blueprint, types of drawings, understanding dimensioning and tolerances.

**Continuous Improvement** training for managers, supervisors and frontline workers will provide teambuilding skills including identification of team needs, team values, team roles, evaluating group dynamics and dimensions of teamwork. Leadership Skills training for managers and supervisors will provide training in leadership effectiveness, motivating subordinates, handling mistakes, complaints and criticism, achieving balance and learning to listen.

The 27 retrainees in the current and proposed training plan will complete the 90-day employment retention period by June 28, 2003. These retrainees will commence training under the proposed Agreement on July 1, 2003.

CCI reports that its expected outcomes under the second ETP Agreement will be: a 12 percent improvement in product quality, a 15 percent reduction in processing and a 10 percent reduction in returned product costs.

**Future Training**

CCI states that the final stage for implementation of their strategic plan will be from March 2004 through February 2005. It will continue the training commenced in the first Agreement (Total Quality Management, Communication Skills and Management Skills) and in the second ETP Agreement (Continuous Improvement and Manufacturing Skills).

**Supplemental Nature of Training**

CCI has certified in writing that the proposed ETP-funded training is supplemental to training it provides in the normal course of doing business. The company has provided safety training, forklift training, regulatory training and new-hire orientation training. The majority of CCI's ongoing training has been "on-the-job" training, and limited to specific department needs. In addition, CCI has provided Vocational English as a Second Language training and software training on manufacturing software and accounting systems. CCI has also provided cross-training in manufacturing operations to assist its employees in gaining the proficiency necessary to ensure International Standards Organization (ISO) 9001 ongoing certification. CCI will continue to provide company-funded training at a cost of \$25,000 per year.

The proposed training is in addition to the company's current training, and is an expansion of the first ETP project. It is designed to continue the company's adaptation to a high performance workplace to the production floor.

**In-Kind Contribution**

The total employer in-kind contribution is projected at \$61,344 for wages paid to trainees during training and \$2,500 for training materials. Therefore, the total employer in-kind contribution is projected at \$63,844.

**COMMENTS:**

Of the 57 proposed retrainees, 51 retrainees meet the Title 22, California Code of Regulations, Section 4400(ee) definition of a frontline worker (production persons, planners, engineers, supervisors, sales, purchasing, clerks and inspectors). The remaining 6 retrainees are managers (11 percent of the training population) that will also be included in the training plan.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement, if funds are available and the project meets Panel priorities. This project will provide CCI's employees with the skills to continue the process of adapting to a high performance workplace.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Hours	No. SOST Hours	Cost per Trainee	Hourly Wage after 90 days
Job Numbers 1 – 3  RETRAINEES	Continuous Improvement  Manufacturing Skills	57	40 - 60	-0-	\$800 - \$1,200	*\$11.74 - \$45.00
						<b><u>Range of Hourly Wages</u></b> *\$11.74 - \$45.00
						<b><u>Prevalent Hourly Wage</u></b> *\$11.74
						<b><u>Average Cost per Trainee</u></b> \$936
<b><u>Health Benefits used to meet ETP minimum wage:</u></b> *Health benefits totaling \$1.84 per hour may be added to the hourly wage for some of the Job 3 trainees to meet the ETP-required hourly wage of \$11.74 per hour for Orange County.					<b><u>Turnover Rate</u></b> 18.6%	<b><u>% Of Managers to be trained</u></b> 11%

CALIFORNIA CHASSIS, INC.  
CURRICULUM  
Job 1

Hours  
Class/Lab

60      CONTINUOUS IMPROVEMENT

Team Building

Team Perceptions  
Identifying and Addressing Team Needs  
Identifying Team Values  
Analyzing Trust Within a Team  
Team Building Through Role Perceptions and Role Expansion  
Identifying Team Roles  
Examining and Evaluating Group Dynamics  
Building and Facilitating Openness and Commitment  
Dimensions of Teamwork

Leadership Skills

Leadership Characteristics  
Leadership Effectiveness Profile  
Motivating People  
Learning to Listen  
Handling Mistakes, Complaints and Criticism  
Achieving Balance

CALIFORNIA CHASSIS, INC.  
CURRICULUM  
JOB 2

Hours  
Class/Lab

40      CONTINUOUS IMPROVEMENT

Team Building

Team Perceptions

Identifying and Addressing Team Needs

Identifying Team Values

Analyzing Trust Within a Team

Team Building Through Role Perceptions and Role Expansion

Identifying Team Roles

Examining and Evaluating Group Dynamics

Building and Facilitating Openness and Commitment

Dimensions of Teamwork



CALIFORNIA CHASSIS, INC.  
CURRICULUM  
JOB 3

Hours  
Class/Lab

48

Manufacturing Skills

Blueprint Reading

Blueprint Format and Details

Types of Drawing

- Multiview Drawing
- Sectional Drawings
- Drafting Conventions

Identification of Common Elements of Blueprints

Dimensioning and Types of Tolerances

Calculating Tolerances